

**REPORT OF THE AUDIT OF THE
DAVIESS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE DAVIESS COUNTY FISCAL COURT

June 30, 2008

Mountjoy & Bressler, LLP has completed the audit of the Daviess County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Daviess County's major federal program: Help America Vote Act (CFDA #90.401).

Financial Condition:

The fiscal court had total net assets of \$77,253,393 as of June 30, 2008. The fiscal court had unrestricted net assets of \$12,943,203 in its governmental activities as of June 30, 2008, with total net assets of \$69,750,850. In its business-type activities, total cash and cash equivalents were \$6,136,161 with total net assets of \$7,502,543. The fiscal court had total debt principal as of June 30, 2008 of \$13,919,112 with \$946,376 due within the next year.

Deposits:

The fiscal court's deposits were unsecured and uncollateralized as follows:

- \$2,552,292 as of February 28, 2008

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Reid Haire, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Daviess County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Daviess County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
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Members of the Daviess County Fiscal Court

The management's discussion and analysis on page 4-13 and budgetary comparison information on pages 54-56 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Daviess County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2009, on our consideration of Daviess County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Mountjoy & Bressler, LLP.

February 16, 2009

Mountjoy & Bressler, LLP

DAVIESS COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Reid Haire	County Judge/Executive
Bruce Kunze	Commissioner
Jim Lambert	Commissioner
Mike Riney	Commissioner

Other Elected Officials:

Claud Porter	County Attorney
David Osborne	Jailer
David "Oz" Osborne	County Clerk
Susan Tierney	Circuit Court Clerk
Keith Cain	Sheriff
Sandy Dawdy	Property Valuation Administrator
Robert Howe	Coroner

Appointed Personnel:

Jim Hendrix	County Treasurer
Marsha Hardesty	Assistant County Treasurer/Human Resource Manager
Jennifer Warren	Fiscal Court Clerk
Tony Sook	County Administrator



Daviess County Fiscal Court

COUNTY JUDGE/EXECUTIVE
Reid Haire

COUNTY ATTORNEY
Robert M. Kirtley

Daviess County Courthouse
P. O. Box 1716
Owensboro, Kentucky 42302-1716
Telephone: (270) 685-8424
Fax: (270) 685-8469
www.daviessky.org

COUNTY COMMISSIONERS
Bruce Kunze - Central Division
Jim Lambert - East Division
Mike Riney - West Division

Management's Discussion and Analysis June 30, 2008

The financial management of Daviess County, Kentucky offers readers of Daviess County's financial statements this narrative overview and analysis of the financial activities of Daviess County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Daviess County had total net assets of \$77,253,393 as of June 30, 2008. The fiscal court had unrestricted net assets of \$12,943,203 in the governmental activities as of June 30, 2008, with total net assets of \$69,750,850. In the business-type activities, cash and cash equivalents were \$6,136,161 with total assets of \$7,502,543. Total debt for governmental activities as of June 30, 2008 was \$12,209,112 with \$691,376 due within one year. Total debt for business-type activities as of June 30, 2008 was \$1,710,000 with \$255,000 due within one year.
- The governmental activities total net assets decreased by \$505,605 from the prior year. This is primarily the result of depreciation in excess of new capital assets, infrastructure, and improvements.
- At the close of the current fiscal year, Daviess County governmental activities reported current assets of \$12,943,203, which is available for spending at the government's discretion (unreserved fund balance).
- Daviess County's total indebtedness at the close of fiscal year June 30, 2008 was \$13,919,112, of which \$12,972,736 is long-term debt (due after 1 year) and \$946,376 is short-term debt (to be paid within 1 year).

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Daviess County's basic financial statements. Daviess County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Daviess County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Daviess County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Daviess County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Daviess County's governmental activities include general government, protection to persons and property, roads, recreation, social services, airport, debt service, capital projects, and administration. Daviess County has two business type activities - Jail Canteen Fund and the Solid Waste Fund.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Daviess County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Daviess County can be divided into broad categories: *governmental funds, proprietary and fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Daviess County maintains (6) six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- County Bond Sinking Fund
- Daviess County Public Improvement Corporation

Daviess County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund financial statements provide separate information for the Jail Canteen Fund and the Solid Waste Fund.

Internal Service Fund. Health Insurance Fund - The County maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

Fiduciary Funds. Fiduciary funds report only those resources held in trust or custodial capacity for individuals, private organizations or other governments.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Table 1
Net Assets Comparison - Governmental Activities

	2007	2008	Variance	%
Assets				
Current and Other Assets	\$ 12,308,866	\$ 12,943,203	\$ 634,337	5.15%
Capital Assets	70,823,853	69,016,759	(1,807,094)	-2.55%
Total Assets	83,132,719	81,959,962	(1,172,757)	-1.41%
Liabilities				
Current Liabilities	667,152	691,376	24,224	3.63%
Long-term Liabilities	12,209,112	11,517,736	(691,376)	-5.66%
Total Liabilities	12,876,264	12,209,112	(667,152)	-5.18%
Net Assets				
Invested in Capital Assets, Net of Related Debt	57,947,589	56,807,647	(1,139,942)	-1.97%
Unrestricted	12,308,866	12,943,203	634,337	5.15%
Total Net Assets	\$ 70,256,455	\$ 69,750,850	\$ (505,605)	-0.72%

Table 2
Net Assets Comparison - Business Type Activities

	2007	2008	Variance	%
Assets				
Current and Other Assets	\$ 5,924,381	\$ 6,136,161	\$ 211,780	3.57%
Capital Assets	3,096,070	3,076,382	(19,688)	-0.64%
Total Assets	9,020,451	9,212,543	192,092	2.13%
Liabilities				
Current Liabilities	245,000	255,000	10,000	4.08%
Long-term Liabilities	1,710,000	1,455,000	(255,000)	-14.91%
Total Liabilities	1,955,000	1,710,000	(245,000)	-12.53%
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,141,070	1,366,382	225,312	19.75%
Restricted	1,722,497	2,190,669	468,172	27.18%
Unrestricted	4,201,884	3,945,492	(256,392)	-6.10%
Total Net Assets	\$ 7,065,451	\$ 7,502,543	\$ 437,092	6.19%

Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Changes in Net Assets.

Governmental Activities. Daviess County's net assets decreased by \$505,605 in fiscal year 2008. Key elements of this are as follows:

- Current assets and cash increased by \$634,337
- Expenditures totaled \$26,999,150 as reflected in the Statement of Activities, an increase of \$1,354,406 over the prior year.
- Total revenue was \$26,493,545 as reflected in the Statement of Activities, an increase of \$1,743,180.
- The Internal Service Fund – Self Insurance reported a net loss of \$92,240.
- Total Liabilities decreased by \$667,152.
- As a result of depreciation in excess of new capital assets, infrastructure and improvements, total Capital Assets decreased by \$1,807,094.

Business-type Activities. Daviess County's net assets increased by \$437,092 in fiscal year 2008. Key elements are as follows:

- Current assets and cash increased by \$211,780.
- Investment in capital and infrastructure net of related debt increased by \$225,312.
- Current and long-term liabilities decreased by \$245,000, due to debt principal repaid.
- Total revenue was \$5,967,053 as reflected in the Statement of Activities.
- Expenses totaled \$5,530,012 as reflected in the Statement of Activities.

Table 3
Statement of Activities Comparison -
Governmental Activities

	2007	2008	Variance	%
Expenses:				
General Government	\$ 6,083,326	\$ 6,993,859	\$ 910,533	14.97%
Protection to Persons and Property	9,359,171	10,102,313	743,142	7.94%
General Health and Sanitation	341,157	368,159	27,002	7.91%
Social Services	277,368	271,038	(6,330)	-2.28%
Recreation and Culture	1,236,610	1,665,528	428,918	34.68%
Roads	6,084,189	5,933,412	(150,777)	-2.48%
Airports	90,332	88,268	(2,064)	-2.28%
Bus Services	198,935	256,630	57,695	29.00%
Interest on Long Term Debt	521,047	500,354	(20,693)	-3.97%
Capital Projects	1,452,609	819,589	(633,020)	-43.58%
Total Expenses	<u>25,644,744</u>	<u>26,999,150</u>	<u>1,354,406</u>	<u>5.28%</u>

Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Table 3
Statement of Activities Comparison -
Governmental Activities (continued)

	2007	2008	Variance	%
Revenues:				
General Revenue	\$ 14,302,582	\$ 15,160,419	\$ 857,837	6.00%
Charges for Services	5,506,819	6,578,979	1,072,160	19.47%
Operating Grants and Contributions	2,731,203	2,222,360	(508,843)	-18.63%
Capital Grants and Contributions	2,209,761	2,531,787	322,026	14.57%
Total Revenue	24,750,365	26,493,545	1,743,180	7.04%
Change in Net Assets	(894,379)	(505,605)	388,774	-43.47%
Beginning Net Assets	71,150,834	70,256,455	(894,379)	-1.26%
Ending Net Assets	<u>\$ 70,256,455</u>	<u>\$ 69,750,850</u>	<u>\$ (505,605)</u>	-0.72%

Table 4
Statement of Activities Comparison -
Business Type Activities

	2007	2008	Variance	%
Expenses:				
Jail Canteen	\$ 521,069	\$ 435,681	\$ (85,388)	-16.39%
Solid Waste Operating	3,643,243	5,094,331	1,451,088	39.83%
Total Expenses	4,164,312	5,530,012	1,365,700	32.80%
Revenues:				
Interest Income	285,859	196,307	(89,552)	-31.33%
Charges for Services	4,304,474	5,770,796	1,466,322	34.07%
Total Revenue	4,590,333	5,967,103	1,376,770	29.99%
Change in Net Assets	426,021	437,091	11,070	2.60%
Beginning Net Assets (Restated)	6,639,431	7,065,452	426,021	6.42%
Ending Net Assets	<u>\$ 7,065,452</u>	<u>\$ 7,502,543</u>	<u>\$ 437,091</u>	6.19%

Financial Analysis of County's Funds

As noted earlier, Daviess County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of County's Funds (continued).

Governmental Funds Overview. The focus of Daviess County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2008 fiscal year, the combined ending fund balances of Daviess County's governmental funds were \$12,921,697. This amount consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (3) three major governmental, and (3) three non-major funds.

Major Funds

- General Fund
- Road Fund
- Jail Fund

Non-major Funds

- Local Government Economic Assistance Fund
- County Bond Sinking Fund
- Daviess County Public Improvement Corporation Fund

1. The General Fund is the chief operating fund of Daviess County. At the end of June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$10,199,737. The County received \$12,382,228 in real and personal property, motor vehicle, and other taxes for approximately 71% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 29% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. At the end of June 30, 2008 fiscal year, unreserved fund balance of the Road Fund was \$224,074. The fiscal year 2008 expenditures for the Road Fund were \$3,226,985.
3. The Jail Fund is used to account for the operation of the County's detention program. At the end of June 30, 2008 fiscal year, unreserved fund balance of the Jail Fund was \$624,765. The Jail Fund received \$5,700,648 for intergovernmental fees, primarily for housing prisoners.
4. The non-major governmental funds had a fund balance of \$1,873,121 at June 30, 2008.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

**Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds (Continued).

Daviess County has two (2) business-type proprietary funds, they are:

- Jail Canteen Fund
- Solid Waste Fund

The Jail Canteen Fund's restricted net assets at the end of June 30, 2008 fiscal year, amounted to \$76,322 and total net assets were \$103,844.

The Solid Waste Fund at the end of June 30, 2008 fiscal year had \$9,108,699 in total assets, \$3,945,492 in unrestricted assets, \$2,114,347 in restricted assets, and \$1,338,860 invested in capital assets, net of related debt.

General Fund Budgetary Highlights.

During the Fiscal Year ending June 30, 2008, the Fiscal Court had one budget amendment to amend the budget of the Self Insurance Fund, Jail Fund and Solid Waste Fund. The general fund was not amended during the year.

Capital Assets and Debt Administration.

Capital Assets. Daviess County's investment in capital assets for its government and business type activities as of June 30, 2008, amounted to \$72,093,141 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvements. Daviess County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2008 fiscal year included:

- Purchased new pumper truck for Masonville Fire Department
- Built new Utica Fire Station
- Performed architecture work and site preparation for Western Kentucky University campus in Daviess County
- Began property acquisition for a combined city/county 911 center

Additional information of the County's capital assets can be found in Note 3 of this report.

Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Capital Assets and Debt Administration (Continued)

Table 5

**Capital Assets Comparison, Net of Accumulated
Depreciation - Governmental Activities**

	2007	2008	Variance	%
Land and Land Improvements	\$ 4,896,006	\$ 4,981,050	\$ 85,044	1.74%
Const. In Progress		635,774	635,774	100.00%
Buildings	20,204,560	19,873,405	(331,155)	-1.64%
Vehicles and Equipment	3,084,053	3,098,303	14,250	0.46%
Infrastructure	42,639,234	40,428,227	(2,211,007)	-5.19%
Total Net Capital Assets	<u>\$ 70,823,853</u>	<u>\$ 69,016,759</u>	<u>\$ (1,807,094)</u>	-2.55%

Table 6

**Capital Assets Comparison, Net of Accumulated
Depreciation - Business Type Activities**

	2007	2008	Variance	%
Land and Land Improvements	\$ 618,039	\$ 545,313	\$ (72,726)	-11.77%
Construction In Progress		227,160	227,160	100.00%
Buildings	419,775	406,498	(13,277)	-3.16%
Vehicles and Equipment	2,058,257	1,897,411	(160,846)	-7.81%
Total Net Capital Assets	<u>\$ 3,096,071</u>	<u>\$ 3,076,382</u>	<u>\$ (19,689)</u>	-0.64%

Long-Term Debt. At the end of the 2008 fiscal year, Daviess County had outstanding \$11,415,000 from general obligation bonds and \$1,710,000 from revenue bonds. The County has (1) one lease totaling \$794,112. Additional information on the County's debt can be found in Notes 4 and 5 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- The County Employee Retirement System cost projections continue to increase the employer contribution rate for the defined benefit plan provided to the employees. The Fiscal Court will continue to monitor the impact of these increases and its impact on the service levels provided to the community.

**Daviess County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

- In 2008 the Fiscal Court approved a 4% increase in property tax to offset increased costs associated with retirement, medical, energy, and fuel costs

Other Matters (Continued)

- Employee health related costs continued to trend upward and will continue to be monitored
- Fuel and Energy costs continued to trend upward and will continue to be monitored.

Requests For Information.

This financial report is designed to provide a general overview of Daviess County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Daviess County Treasurer, 212 St Ann Street, Second Floor, Owensboro, KY 42103.

DAVISS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

DAVIESS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,943,203	\$ 6,136,161	\$ 19,079,364
Total Current Assets	12,943,203	6,136,161	19,079,364
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	1,928,830	316,250	2,245,080
Land Improvements	3,052,220	229,063	3,281,283
Construction In Progress	635,774	227,160	862,934
Buildings	19,873,405	406,498	20,279,903
Vehicles and Equipment	3,098,303	1,897,411	4,995,714
Infrastructure Assets - Net of Depreciation	40,428,227		40,428,227
Total Noncurrent Assets	69,016,759	3,076,382	72,093,141
Total Assets	81,959,962	9,212,543	91,172,505
LIABILITIES			
Current Liabilities:			
Bonds Payable	590,000	255,000	845,000
Financing Obligations Payable	101,376		101,376
Total Current Liabilities	691,376	255,000	946,376
Noncurrent Liabilities:			
Bonds Payable	10,825,000	1,455,000	12,280,000
Financing Obligations Payable	692,736		692,736
Total Noncurrent Liabilities	11,517,736	1,455,000	12,972,736
Total Liabilities	12,209,112	1,710,000	13,919,112
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	56,807,647	1,366,382	58,174,029
Restricted For:			
Post-Closure Care Costs		2,114,347	2,114,347
Jail Canteen		76,322	76,322
Unrestricted	12,943,203	3,945,492	16,888,695
Total Net Assets	\$ 69,750,850	\$ 7,502,543	\$ 77,253,393

The accompanying notes are an integral part of the financial statements.

DAVISS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

DAVISS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,993,859	\$ 668,311	\$ 261,642	\$ 600,554
Protection to Persons and Property	10,102,313	5,864,364	469,296	41,857
General Health and Sanitation	368,159	46,304		10,256
Social Services	271,038		977,096	
Recreation and Culture	1,665,528		134,206	
Roads	5,933,412		380,120	1,879,120
Airports	88,268			
Bus Services	256,630			
Interest on Long-Term Debt	500,354			
Capital Projects	819,589			
Total Governmental Activities	26,999,150	6,578,979	2,222,360	2,531,787
Business-type Activities:				
Jail Canteen	435,681	486,491		
Solid Waste Operations	5,094,331	5,284,305		
Total Business-type Activities	5,530,012	5,770,796		
Total Primary Government	\$ 32,529,162	\$ 12,349,775	\$ 2,222,360	\$ 2,531,787

General Revenues:

Taxes:

Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Insurance Premium Tax
 Occupational Tax
 Net Profits Tax
 Tourist Tax
 Other Taxes
 Excess Fees
 E-911 User Fees
 Miscellaneous Revenues
 Telephone Commissions
 Farm Income
 Land Rent
 Sale of Land
 Insurance Reimbursement
 Interest Expense
 Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (5,463,352)	\$	\$ (5,463,352)
(3,726,796)		(3,726,796)
(311,599)		(311,599)
706,058		706,058
(1,531,322)		(1,531,322)
(3,674,172)		(3,674,172)
(88,268)		(88,268)
(256,630)		(256,630)
(500,354)		(500,354)
(819,589)		(819,589)
(15,666,024)		(15,666,024)
	50,810	50,810
	189,974	189,974
	240,784	240,784
(15,666,024)	240,784	(15,425,240)
4,951,186		4,951,186
800,712		800,712
916,818		916,818
1,841,555		1,841,555
1,144,226		1,144,226
618,210		618,210
684,415		684,415
1,211,201		1,211,201
795,820		795,820
413,402		413,402
128,068		128,068
150,469		150,469
2,216		2,216
40,000		40,000
969,167		969,167
102,320		102,320
390,634	196,307	586,941
15,160,419	196,307	15,356,726
(505,605)	437,091	(68,514)
70,256,455	7,065,452	77,321,907
\$ 69,750,850	\$ 7,502,543	\$ 77,253,393

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

DAVIESS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,199,737	\$ 224,074	\$ 624,765	\$ 1,873,121	\$ 12,921,697
Total Assets	<u>10,199,737</u>	<u>224,074</u>	<u>624,765</u>	<u>1,873,121</u>	<u>12,921,697</u>
FUND BALANCES					
Unreserved:					
General Fund	10,199,737				10,199,737
Special Revenue Funds		224,074	624,765	636,931	1,485,770
Debt Service Funds				1,236,190	1,236,190
Total Fund Balances	<u>\$ 10,199,737</u>	<u>\$ 224,074</u>	<u>\$ 624,765</u>	<u>\$ 1,873,121</u>	<u>\$ 12,921,697</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	
Amounts Reported For Governmental Activities In The Statement	\$ 12,921,697
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	149,119,975
Accumulated Depreciation	(80,103,216)
Internal Service Fund Is Used By Management To Charge The Cost Of Health Insurance To Individual Funds. The Assets And Liabilities Are Included In Governmental Activities On The Statement of Net Assets	21,506
Long- term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bonds and Financing Obligations	(691,376)
Due In More Than One Year - Bonds and Financing Obligations	<u>(11,517,736)</u>
Net Assets Of Governmental Activities	<u>\$ 69,750,850</u>

The accompanying notes are an integral part of the financial statements.

**DAVISS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

DAVIESS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 12,382,228	\$	\$
In Lieu Tax Payments	1,363		
Excess Fees	795,820		
Licenses and Permits	198,134		
Intergovernmental	2,287,153	1,651,655	5,700,648
Charges for Services	53,495		430,326
Miscellaneous	1,483,718	10,031	260,725
Interest	299,235	9,548	16,376
Total Revenues	<u>17,501,146</u>	<u>1,671,234</u>	<u>6,408,075</u>
EXPENDITURES			
General Government	6,813,398		
Protection to Persons and Property	3,309,460		6,656,511
General Health and Sanitation	358,294		
Social Services	270,761		
Recreation and Culture	1,723,672		
Roads		3,220,896	
Airports	185,420		
Bus Services	256,630		
Debt Service			
Capital Projects	819,589		
Administration	700,111	6,089	3,007
Total Expenditures	<u>14,437,335</u>	<u>3,226,985</u>	<u>6,659,518</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,063,811</u>	<u>(1,555,751)</u>	<u>(251,443)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds		1,500,000	1,000,000
Transfers To Other Funds	(2,906,293)		(428,946)
Total Other Financing Sources (Uses)	<u>(2,906,293)</u>	<u>1,500,000</u>	<u>571,054</u>
Net Change in Fund Balances	157,518	(55,751)	319,611
Fund Balances - Beginning	10,042,219	279,825	305,154
Fund Balances - Ending	<u>\$ 10,199,737</u>	<u>\$ 224,074</u>	<u>\$ 624,765</u>

The accompanying notes are an integral part of the financial statements

DAVIESS COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 12,382,228
	1,363
	795,820
	198,134
920,007	10,559,463
	483,821
	1,754,474
65,475	390,634
985,482	26,565,937
	6,813,398
	9,965,971
	358,294
	270,761
25,000	1,748,672
328,134	3,549,030
	185,420
	256,630
1,070,354	1,070,354
	819,589
92,034	801,241
1,515,522	25,839,360
(530,040)	726,577
835,239	3,335,239
	(3,335,239)
835,239	
305,199	726,577
1,567,922	12,195,120
\$ 1,873,121	\$ 12,921,697

The accompanying notes are an integral part of the financial statements

DAVIESS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

DAVIESS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Reconciliation to the Statement of Activities:

Net Change In Fund Balances - Total Governmental Funds	\$ 726,577
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Book Value - Disposed Assets	(54,250)
Capital Outlay	2,221,659
Construction In Progress	635,774
Depreciation Expense	(4,610,277)
Internal Service Funds Are Used By Management To Charge	
The Cost Of Health Insurance To Individual Funds. The Net Revenues (Expenses) Of This Fund Are Reported With Governmental Activities.	(92,240)
The Issuance Of Long Term Debt Provides Current Financial Resources To Governmental Funds While Repayment Consumes The Current Financial Resources. These Transactions Have No Effect On Net Assets.	
Financing Obligation Principal Payments	97,152
Bond Principal Payment	<u>570,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (505,605)</u></u>

The accompanying notes are an integral part of the financial statements

DAVIESS COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2008

DAVISS COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 76,322	\$ 6,059,839	\$ 6,136,161	\$ 21,506
Total Current Assets	76,322	6,059,839	6,136,161	21,506
Noncurrent Assets:				
Capital Assets:				
Land		316,250	316,250	
Land Improvements		8,540,820	8,540,820	
Construction In Progress		227,160	227,160	
Buildings		584,197	584,197	
Vehicles and Equipment	106,093	5,801,129	5,907,222	
Less Accumulated Depreciation	(78,571)	(12,420,696)	(12,499,267)	
Total Noncurrent Assets	27,522	3,048,860	3,076,382	
Total Assets	103,844	9,108,699	9,212,543	21,506
Liabilities				
Current Liabilities:				
Bonds Payable		255,000	255,000	
Total Current Liabilities		255,000	255,000	
Noncurrent Liabilities:				
Bonds Payable		1,455,000	1,455,000	
Total Noncurrent Liabilities		1,455,000	1,455,000	
Total Liabilities		1,710,000	1,710,000	
Net Assets				
Invested in Capital Assets, Net of Related Debt	27,522	1,338,860	1,366,382	
Restricted For:				
Post-Closure Care Costs		2,114,347	2,114,347	
Jail Canteen	76,322		76,322	
Unrestricted		3,945,492	3,945,492	21,506
Total Net Assets	\$ 103,844	\$ 7,398,699	\$ 7,502,543	\$ 21,506

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

DAVIESS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental
				Activities
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Operating Revenues				
Canteen Receipts	\$ 486,491	\$	\$ 486,491	\$
Refunds/Reimbursements		23,877	23,877	2,732,505
Litter Abatement		70,800	70,800	
Recycling Receipts		65,710	65,710	
Off-Site Waste Management Fee		2,379	2,379	
Other Receipts		5,284	5,284	
Tipping Fees		4,132,594	4,132,594	
Total Operating Revenues	486,491	4,300,644	4,787,135	2,732,505
Operating Expenses				
Advertising		2,985	2,985	
Building and Construction		7,744	7,744	
Consulting Engineering		11,029	11,029	
Cost of Sales	360,548		360,548	
Data Processing		10,163	10,163	
Depreciation	11,764	527,185	538,949	
Earth Work		6,380	6,380	
Educational and Recreational	63,369		63,369	
Environmental Remediation Fee		286,896	286,896	
Equipment		17,467	17,467	
Equipment Rental		37,172	37,172	
Food - Work Release		20,143	20,143	
Freight and Postage		538	538	
Fuel and Oil		572,740	572,740	
Gravel		35,277	35,277	
Health Insurance Claims				2,824,985
Insurance		69,204	69,204	
Leachate Disposal		23,428	23,428	
Materials & Supplies		18,691	18,691	
Maintenance		280,569	280,569	
Methan Management		2,282	2,282	
Miscellaneous		3,139	3,139	
Office Supplies		4,247	4,247	
Personnel Costs		1,771,728	1,771,728	
Professional Fees		8,370	8,370	
Prisoner Uniforms, Footwear		2,495	2,495	

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Operating Expenses (continued)				
Registrations, Conferences & Training	\$	\$ 5,325	\$ 5,325	\$
Safety Equipment		3,435	3,435	
Sampling/Monitoring		43,300	43,300	
Site Reclamation		100,504	100,504	
Special Waste Diversion		950	950	
TARPS		5,860	5,860	
Telephone		8,553	8,553	
Tire Disposal		3,693	3,693	
Tires & Tubes		97,451	97,451	
Tools		2,864	2,864	
Uniforms		12,627	12,627	
Utilities		23,320	23,320	
Total Operating Expenses	435,681	4,027,754	4,463,435	2,824,985
Operating Income (Loss)	50,810	272,890	323,700	(92,480)
Nonoperating Revenues (Expenses)				
Interest Income	1,011	195,296	196,307	240
Interest Expense		(82,916)	(82,916)	
Total Nonoperating Revenues (Expenses)	1,011	112,380	113,391	240
Net Income (Loss) Before Transfers	51,821	385,270	437,091	(92,240)
Transfers In		983,661	983,661	
Transfers Out		(983,661)	(983,661)	
Change In Net Assets	51,821	385,270	437,091	(92,240)
Total Net Assets - Beginning	52,023	7,013,429	7,065,452	113,746
Total Net Assets - Ending	\$ 103,844	\$ 7,398,699	\$ 7,502,543	\$ 21,506

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

DAVISS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Cash Flows From Operating Activities				
Receipts From Customers	\$ 486,491	\$ 4,295,360	\$ 4,781,851	\$ 2,732,505
Other Receipts		5,284	5,284	
Cost of Sales	(360,548)		(360,548)	
Educational and Recreational	(63,369)		(63,369)	
Environmental Redmediation Fee		(286,896)	(286,896)	
Equipment Rental		(37,172)	(37,172)	
Fuel and Oil		(572,740)	(572,740)	
Health Insurance Claims				(2,824,985)
Insurance		(69,204)	(69,204)	
Materials and Supplies		(18,691)	(18,691)	
Maintenance		(280,391)	(280,391)	
Miscellaneous		(3,139)	(3,139)	
Other Operating Expenses		(193,228)	(193,228)	
Personnel Costs		(1,771,728)	(1,771,728)	
Professional Fees		(8,370)	(8,370)	
Sampling/Monitoring		(43,300)	(43,300)	
Site Reclamation		(100,504)	(100,504)	
Tires and Tubes		(97,451)	(97,451)	
Net Cash Provided (Used) By Operating Activities	62,574	817,830	880,404	(92,480)
Cash Flows From Noncapital Financing Activities				
Transfers From Other Funds		983,661	983,661	
Transfers To Other Funds		(983,661)	(983,661)	
Net Cash Provided By Noncapital Financing Activities				
Cash Flows From Capital and Related Financing Activities				
Principal Payments		(245,000)	(245,000)	
Interest Expense		(82,916)	(82,916)	
Construction In Progress		(227,160)	(227,160)	
Capital Assets Purchased	(6,901)	(302,954)	(309,855)	
Net Cash (Used) By Capital and Related Financing Activities	(6,901)	(858,030)	(864,931)	

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Cash Flows From Investing Activities				
Interest Earned	\$ 1,011	\$ 195,296	\$ 196,307	\$ 240
Net Cash Provided By Investing Activities	1,011	195,296	196,307	240
Net Increase (Decrease) in Cash and Cash Equivalents	56,684	155,096	211,780	(92,240)
Cash and Cash Equivalents - July 1, 2007	19,638	5,904,743	5,924,381	113,746
Cash and Cash Equivalents - June 30, 2008	<u>\$ 76,322</u>	<u>\$ 6,059,839</u>	<u>\$ 6,136,161</u>	<u>\$ 21,506</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 50,810	\$ 272,890	\$ 323,700	\$ (92,480)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities -				
Disposal of Capital Assets		17,755	17,755	
Depreciation Expense	11,764	527,185	538,949	
Total Cash Provided (Used) By Operating Activities	<u>\$ 62,574</u>	<u>\$ 817,830</u>	<u>\$ 880,404</u>	<u>\$ (92,480)</u>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS-MODIFIED CASH BASIS

June 30, 2008

DAVIESS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS-MODIFIED CASH BASIS

June 30, 2008

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 243,645</u>
Total Assets	<u><u>243,645</u></u>
Liabilities	
Amounts Held In Custody For Others	<u>243,645</u>
Total Liabilities	<u><u>\$ 243,645</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Daviess County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

Daviess County Public Improvement Corporation

The Daviess County Fiscal Court appoints the Public Improvement Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Improvement Corporation. Financial information for the Public Improvement Corporation is blended within Daviess County's financial statements. All activities of the Public Improvement Corporation are accounted for within a non-major (debt service) fund.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Daviess County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Daviess County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary fund. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, and other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, County Bond Sinking Fund, and the Daviess County Public Improvement Corporation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Funds:

The County Bond Sinking Fund and Daviess County Public Improvement Corporation Fund are presented as debt service funds. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund and charges to customers for tipping fees in the Solid Waste Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Solid Waste Fund - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are from charges to customers for tipping fees.

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds are used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

The primary government reports the following fiduciary accounts:

Road Escrow Account - This fund accounts for funds received from road bonds and held until the bonds are released.

Midwestern Gas Transmission Account - This fund accounts for an excessive weight bond held for Midwestern Gas Transmission until the bond is released.

Jail Inmate Account - This fund is a custodial fund for inmates in the Daviess County Detention Center.

Jail Escrow Account - This fund contains unclaimed funds of previous inmates of the Daviess County Detention Center.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-25
Buildings and Building Improvements	\$ 50,000	10-40
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	5-10
Infrastructure	\$ 25,000	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The County maintained deposits of public funds with three depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of February 28, 2008, \$2,552,292 of the County's bank balance was exposed to custodial credit risk as follows:

- Unsecured and uncollateralized \$2,552,292.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$	\$	\$	\$
Land	1,928,830	635,774		635,774
Total Capital Assets Not Being Depreciated	1,928,830	635,774		1,928,830
				2,564,604
Capital Assets, Being Depreciated:				
Land Improvements	3,096,615	208,448		3,305,063
Buildings	27,486,277	311,137		27,797,414
Vehicles and Equipment	9,903,512	724,485	(470,497)	10,157,500
Infrastructure	104,317,805	977,589		105,295,394
Total Capital Assets Being Depreciated	144,804,209	2,221,659	(470,497)	146,555,371
Less Accumulated Depreciation For:				
Land Improvements	(129,439)	(123,404)		(252,843)
Buildings	(7,281,717)	(642,292)		(7,924,009)
Vehicles and Equipment	(6,819,459)	(655,985)	416,247	(7,059,197)
Infrastructure	(61,678,571)	(3,188,596)		(64,867,167)
Total Accumulated Depreciation	(75,909,186)	(4,610,277)	416,247	(80,103,216)
Total Capital Assets, Being Depreciated, Net	68,895,023	(2,388,618)	(54,250)	66,452,155
Governmental Activities Capital Assets, Net	\$ 70,823,853	\$ (1,752,844)	\$ (54,250)	\$ 69,016,759

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2008 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government: (Continued)				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$	\$	\$	\$
Land	316,250	227,160		227,160
				316,250
Total Capital Assets Not Being Depreciated	316,250	227,160		543,410
Capital Assets, Being Depreciated:				
Land Improvements	8,501,763	39,057		8,540,820
Buildings	584,197			584,197
Vehicles and Equipment	5,823,973	270,797	(187,548)	5,907,222
Total Capital Assets Being Depreciated	14,909,933	309,854	(187,548)	15,032,239
Less Accumulated Depreciation For:				
Land Improvements	(8,199,974)	(111,783)		(8,311,757)
Buildings	(164,422)	(13,277)		(177,699)
Vehicles and Equipment	(3,765,716)	(413,888)	169,793	(4,009,811)
Total Accumulated Depreciation	(12,130,112)	(538,948)	169,793	(12,499,267)
Total Capital Assets, Being Depreciated, Net	2,779,821	(229,094)	(17,755)	2,532,972
Business-Type Activities Capital Assets, Net	\$ 3,096,071	\$ (1,934)	\$ (17,755)	\$ 3,076,382

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 277,854
Protection to Persons and Property	718,471
General Health and Sanitation	7,529
Recreation and Culture	182,958
Roads, Including Depreciation of General Infrastructure Assets	3,423,465
Total Depreciation Expense - Governmental Activities	\$ 4,610,277

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Business-Type Activities

Jail Canteen	\$ 11,764
Solid Waste Operations	<u>527,184</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 538,948</u></u>

Note 4. Long-term Debt - Bonds

A. First Mortgage Refunding Revenue Bonds, Series 1994A

The Daviess County Public Improvement Corporation entered into a bond issue on July 1, 1994 for the purpose of 1) paying the entire principal and interest of the Daviess County, Kentucky Judicial Center Building and Improvement Revenue Bonds, Series 1989 (the "Prior Bonds"); 2) to fund a Debt Service Reserve Fund; 3) to pay for the costs of issuance of Bonds; and 4) to pay for certain costs of equipment to be purchased by the County. The Corporation and Daviess County have entered into an annually renewable lease, dated as of July 1, 1994, wherein the County leases from the Corporation the project and project site. In addition, the Bonds are secured by a foreclosable first mortgage lien on the Project pursuant to the Mortgage Deed of Trust, (the "Mortgage") and by the assignment by the Corporation of all of the Corporation's right, title, and interest to the Lease with the County.

The Daviess County Public Improvement Corporation First Mortgage Refunding and Revenue Bonds, Series 1994A were issued July 1, 1994, for \$4,270,000. The Daviess County Public Improvement Corporation entered into a sublease with the Administrative Office of the Courts (AOC), whereby the AOC makes semi-annual payments directly to the bonding agent to partially fund the debt service for the bond issue.

Interest on the Bonds is payable each April 1 and October 1, beginning October 1, 1994. The Bonds will mature as to principal on October 1, 2014. The principal amount of bonds outstanding as of June 30, 2008 was \$1,610,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	275,000	83,334
2010	290,000	67,477
2011	160,000	54,821
2012	165,000	45,681
2013	175,000	36,053
2014-2015	<u>545,000</u>	<u>35,768</u>
Totals	<u><u>\$ 1,610,000</u></u>	<u><u>\$ 323,134</u></u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt - Bonds (Continued)

B. General Obligation Public Project Refunding and Improvement Bonds, Series 2003A

The County of Daviess entered into a bond issue, County of Daviess, Kentucky General Obligation Public Project Refunding and Improvement Bonds, Series 2003A dated on September 1, 2003 for the purpose of (i) financing the acquisition, and installation of an operations complex for the County (the "Operations Complex Project"), (ii) currently refunding and retiring a Lease Agreement dated as of January 21, 2002 (the "Prior Lease") between the County and the Kentucky Association of Counties Leasing Trust, the proceeds of which were used to finance on an interim basis the costs of the acquisition, construction, and installation of a detention facility for the County (the "Detention Facility Project," and together with the Operations Complex Project, the "Series 2003A Project") and (iii) paying costs of issuing the Series A Bonds. The issue amount of the bonds was \$8,720,000. Interest on the bonds will be payable from September 1, 2003, on March 1 and September 1, commencing March 1, 2004, and the Series A Bonds mature each September thereafter. The principal outstanding as of June 30, 2008, was \$7,785,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	250,000	313,396
2010	255,000	306,640
2011	265,000	298,993
2012	270,000	290,127
2013	280,000	280,327
2014-2018	1,580,000	1,229,194
2019-2023	1,930,000	875,293
2024-2028	2,405,000	403,492
2029	550,000	12,372
Totals	<u>\$ 7,785,000</u>	<u>\$ 4,009,834</u>

C. General Obligation Public Project Bonds, Series 2003B

The County of Daviess entered into a bond issue, County of Daviess, Kentucky General Obligation Public Project Bonds, Series 2003B (Transient Room Tax Supported Project) dated on September 1, 2003 for the purpose of (i) financing the acquisition, construction and installation of improvements to the Owensboro Museum of Fine Art and the Owensboro Riverpark Center (the "Series 2003B Project") and (ii) paying the costs of issuing the Series B Bonds. The issue amount of the bonds was \$2,270,000. Interest on the bonds will be payable from September 1, 2003, on March 1 and September 1 commencing March 1, 2004, and the Series B Bonds mature each September thereafter. The principal outstanding as of June 30, 2008, was \$2,020,000. Future principal and interest requirements are:

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt - Bonds (Continued)

C. General Obligation Public Project Bonds, Series 2003B (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	65,000	81,297
2010	65,000	79,794
2011	70,000	77,975
2012	70,000	75,875
2013	75,000	73,516
2014-2018	410,000	325,051
2019-2023	500,000	234,181
2024-2028	625,000	106,953
2029	140,000	3,233
Totals	<u>\$ 2,020,000</u>	<u>\$ 1,057,875</u>

D. General Obligation Public Projects Bonds, Series 1999

The Fiscal Court issued obligations, dated March 1, 1999, with interest payable beginning on October 1, 1999, and semiannually thereafter on April 1 and October 1 at varying rates from 4.00% to 4.375%.

The bonds were issued by the County to 1) provide funds to retire the outstanding County of Daviess, Kentucky, Series 1996 Solid Waste System Revenue Bond Anticipation Notes and 2) paying certain costs related to the issuance of the Bonds. The proceeds of the Notes were used to provide for construction and equipment acquisition related to the County's Phase II for development of the County's Solid Waste Landfill, which have been determined to be "public projects" under the Ordinance in accordance with KRS 66.011(17). As of June 30, 2008, bonds outstanding were \$1,710,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2009	255,000	72,871
2010	265,000	62,353
2011	280,000	51,355
2012	290,000	39,596
2013	305,000	27,126
2014	315,000	13,779
Totals	<u>\$ 1,710,000</u>	<u>\$ 267,080</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Long-term Debt - Financing Obligations

Airport

The Daviess County Fiscal Court entered into a sublease agreement with the City of Owensboro, Kentucky for the purpose of funding debt service – Airport Revenue Bonds – related to the expansion of the Owensboro-Daviess County Airport. The sublease was entered into on June 1, 1995. Under the terms of the sublease agreement, the County agreed to lease certain airport servitude aviation easements and other property and improvements for one half of the base rentals. The County's portion was subsequently reduced to 42.34%. Any additional rentals are due to be paid by the City of Owensboro, Kentucky under its sublease agreement. During the fiscal year ended June 30, 2008 the City of Owensboro refinanced the bonds relating to this project. The County entered into a new sublease agreement with the City of Owensboro which reduced the County's percentage of the debt to 42.24%. The County's share of principal on the retired bonds was \$1,375,000. The County's share of principal on the new bonds was \$1,077,120 at the time of issue. This resulted in a decrease in debt of \$297,880. As of June 30, 2008, the lease agreement outstanding was \$794,112. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	101,376	29,439
2010	105,600	25,840
2011	109,824	22,039
2012	111,936	18,030
2013	118,272	13,888
2014-2015	247,104	14,333
Totals	<u>\$ 794,112</u>	<u>\$ 123,569</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds (Note 4)	\$ 11,985,000	\$	\$ 570,000	\$ 11,415,000	\$ 590,000
Financing Obligations	891,264		97,152	794,112	101,376
Governmental Activities Long-term Liabilities	<u>\$ 12,876,264</u>	<u>\$</u>	<u>\$ 667,152</u>	<u>\$ 12,209,112</u>	<u>\$ 691,376</u>

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

Changes In Long-term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
General Obligation Bonds (Note 4)	\$ 1,955,000	\$	\$ 245,000	\$ 1,710,000	\$ 255,000
Business-type Activities Long-term Liabilities	<u>\$ 1,955,000</u>	<u>\$</u>	<u>\$ 245,000</u>	<u>\$ 1,710,000</u>	<u>\$ 255,000</u>

Note 6. Landfill Closure and Post-Closure Costs

The County operates a landfill in West Louisville, Kentucky. The County must comply with established state and federal landfill operating, closure, and post-closure procedures. The landfill opened in January 1996, with an estimated life of 21.67 years. The landfill was granted an expansion effective February 2005, which increased its estimated useful life by 50 years. As of June 30, 2008, the estimated remaining life of the landfill was 41.71 years. Revised estimated closure costs total \$165,000 and revised estimated post-closure care costs total \$2,475,000 or \$82,500 per year for 30 years. Estimates are based upon 2002 projections, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Daviess County prepares required financial statements on the modified cash basis of accounting in accordance with the laws of Kentucky, therefore no liability has been recognized for the closure or post-closure care costs. State and federal laws and regulations require the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court reserves a portion of the landfill receipts for landfill closure and post-closure care. For every ton deposited into the County's contained landfill, \$2 is transferred from the Solid Waste Operating Account into the Solid Waste Closure Account and \$1 is transferred into the Solid Waste Post-Closure Account. At June 30, 2008, the Solid Waste Closure Account had a balance of \$3,145,869 and the Solid Waste Post-Closure Account had a balance of \$2,114,347.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 7. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On November 9, 1982, the Daviess County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2008, Daviess County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Self-Insurance

Daviess County Fiscal Court elected to begin a partially self-funded health insurance plan in April 2002. This partially self-funded insurance plan covers all employees. The county pays for 90% of each county employee's coverage, the employee contributes the remaining 10%. Daviess County elected to purchase a stop-loss insurance policy from Hartford Life and Accident Insurance Company to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

Daviess County Fiscal Court contracts with Meritain for administration of the Health Insurance Fund. The Health Insurance Fund had a balance of \$21,506 as of June 30, 2008. The fund balance consists of excess of premiums and reimbursements over claims paid.

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2008

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,696,000	\$ 11,696,000	\$ 12,382,228	\$ 686,228
In Lieu Tax Payments	1,500	1,500	1,363	(137)
Excess Fees	715,000	715,000	795,820	80,820
Licenses and Permits	196,000	196,000	198,134	2,134
Intergovernmental	4,728,390	4,728,390	2,287,153	(2,441,237)
Charges for Services	53,000	53,000	53,495	495
Miscellaneous	377,600	377,600	1,483,718	1,106,118
Interest	325,000	325,000	299,235	(25,765)
Total Revenues	18,092,490	18,092,490	17,501,146	(591,344)
EXPENDITURES				
General Government	6,534,061	7,262,821	6,813,398	449,423
Protection to Persons and Property	3,192,814	3,535,565	3,309,460	226,105
General Health and Sanitation	415,700	422,100	358,294	63,806
Social Services	295,905	304,905	270,761	34,144
Recreation and Culture	2,309,140	2,414,440	1,723,672	690,768
Airports	185,421	185,421	185,420	1
Bus Services	280,000	280,000	256,630	23,370
Debt Service	60,000	60,000		60,000
Capital Projects	2,302,823	2,576,523	819,589	1,756,934
Administration	7,794,790	6,328,879	700,111	5,628,768
Total Expenditures	23,370,654	23,370,654	14,437,335	8,933,319
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(5,278,164)	(5,278,164)	3,063,811	8,341,975
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds				
Transfers To Other Funds	(3,600,659)	(3,600,659)	(2,906,293)	694,366
Total Other Financing Sources (Uses)	(3,600,659)	(3,600,659)	(2,906,293)	694,366
Net Changes in Fund Balances	(8,878,823)	(8,878,823)	157,518	9,036,341
Fund Balances - Beginning	8,878,823	8,878,823	10,042,219	1,163,396
Fund Balances - Ending	\$	\$	\$ 10,199,737	\$ 10,199,737

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,013,500	\$ 2,013,500	\$ 1,651,655	\$ (361,845)
Miscellaneous	10,000	10,000	10,031	31
Interest	20,000	20,000	9,548	(10,452)
Total Revenues	<u>2,043,500</u>	<u>2,043,500</u>	<u>1,671,234</u>	<u>(372,266)</u>
EXPENDITURES				
Roads	3,708,750	3,708,750	3,220,896	487,854
Administration	40,559	40,559	6,089	34,470
Total Expenditures	<u>3,749,309</u>	<u>3,749,309</u>	<u>3,226,985</u>	<u>522,324</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,705,809)</u>	<u>(1,705,809)</u>	<u>(1,555,751)</u>	<u>150,058</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,605,809	1,605,809	1,500,000	(105,809)
Total Other Financing Sources (Uses)	<u>1,605,809</u>	<u>1,605,809</u>	<u>1,500,000</u>	<u>(105,809)</u>
Net Changes in Fund Balances	(100,000)	(100,000)	(55,751)	44,249
Fund Balances - Beginning	<u>100,000</u>	<u>100,000</u>	<u>279,825</u>	<u>179,825</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 224,074</u>	<u>\$ 224,074</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2008
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,585,800	\$ 4,585,800	\$ 5,700,648	\$ 1,114,848
Charges for Services	400,000	400,000	430,326	30,326
Miscellaneous	256,000	256,000	260,725	4,725
Interest	20,000	20,000	16,376	(3,624)
Total Revenues	<u>5,261,800</u>	<u>5,261,800</u>	<u>6,408,075</u>	<u>1,146,275</u>
EXPENDITURES				
Protection to Persons and Property	6,701,150	6,721,253	6,656,511	64,742
Administration	25,500	5,397	3,007	2,390
Total Expenditures	<u>6,726,650</u>	<u>6,726,650</u>	<u>6,659,518</u>	<u>67,132</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,464,850)</u>	<u>(1,464,850)</u>	<u>(251,443)</u>	<u>1,213,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(428,946)	(428,946)
Transfers From Other Funds	<u>1,593,850</u>	<u>1,593,850</u>	<u>1,000,000</u>	<u>(593,850)</u>
Total Other Financing Sources (Uses)	<u>1,593,850</u>	<u>1,593,850</u>	<u>571,054</u>	<u>(1,022,796)</u>
Net Changes in Fund Balances	129,000	129,000	319,611	190,611
Fund Balances - Beginning	<u>(129,000)</u>	<u>(129,000)</u>	<u>305,154</u>	<u>434,154</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 624,765</u>	<u>\$ 624,765</u>

DAVIESS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

DAVIESS COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

DAVIESS COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Local Government Economic Assistance Fund	County Bond Sinking Fund	Daviess County Public Improvement Corporation	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 636,931	\$ 762,165	\$ 474,025	\$ 1,873,121
Total Assets	<u>636,931</u>	<u>762,165</u>	<u>474,025</u>	<u>1,873,121</u>
FUND BALANCES				
Unreserved:				
Special Revenue Fund	636,931			636,931
Debt Service Funds		762,165	474,025	1,236,190
Total Fund Balances	<u>\$ 636,931</u>	<u>\$ 762,165</u>	<u>\$ 474,025</u>	<u>\$ 1,873,121</u>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

DAVIESS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Local Government Economic Assistance Fund	County Bond Sinking Fund	Daviess County Public Improvement Corporation	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 607,585	\$	\$ 312,422	\$ 920,007
Interest	18,188	23,234	24,053	65,475
Total Revenues	<u>625,773</u>	<u>23,234</u>	<u>336,475</u>	<u>985,482</u>
EXPENDITURES				
Recreation and Culture	25,000			25,000
Roads	328,134			328,134
Debt Service		712,040	358,314	1,070,354
Administration		1,350	90,684	92,034
Total Expenditures	<u>353,134</u>	<u>713,390</u>	<u>448,998</u>	<u>1,515,522</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>272,639</u>	<u>(690,156)</u>	<u>(112,523)</u>	<u>(530,040)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		835,239		835,239
Total Other Financing Sources (Uses)		<u>835,239</u>		<u>835,239</u>
Net Change in Fund Balances	272,639	145,083	(112,523)	305,199
Fund Balances - Beginning	364,292	617,082	586,548	1,567,922
Fund Balances - Ending	<u>\$ 636,931</u>	<u>\$ 762,165</u>	<u>\$ 474,025</u>	<u>\$ 1,873,121</u>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

DAVIESS COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Agency Funds				
	Road Escrow Account	Midwestern Gas Transmission Account	Jail Escrow Account	Jail Inmate Account	Total Agency Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 172,982	\$ 7,278	\$ 7,021	\$ 56,364	\$ 243,645
Total Assets	<u>172,982</u>	<u>7,278</u>	<u>7,021</u>	<u>56,364</u>	<u>243,645</u>
Liabilities					
Amounts Held In Custody For Others	<u>172,982</u>	<u>7,278</u>	<u>7,021</u>	<u>56,364</u>	<u>243,645</u>
Total Liabilities	<u>\$ 172,982</u>	<u>\$ 7,278</u>	<u>\$ 7,021</u>	<u>\$ 56,364</u>	<u>\$ 243,645</u>

The accompanying notes are an integral part of the financial statements.

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

DAVIESS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2008

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Election Assistance Commission</u>			
Passed-Through Kentucky State Board of Elections:			
Help America Vote Act Requirements Payments	90.401*		\$ 382,500
<u>U.S. Department of Justice</u>			
Passed-Through Kentucky Justice and Public Safety Cabinet:			
Crime Victims Assistance	16.575	8223-VC4-20/05	27,000
<u>U.S. Department of Health and Human Services</u>			
Passed-Through State Cabinet for Families and Children:			
Title IV-D Child Support Enforcement Program	93.563		510,312
<u>U.S. Department Of Homeland Security</u>			
Passed-Through State Department Of Military Affairs:			
Emergency Management Performance Grants	97.042		35,203
Homeland Security Program	97.067	7014S	30,897
Homeland Security Program	97.067	7013	10,565
			<u>76,665</u>
Total Expenditures of Federal Awards			<u>\$ 996,477</u>

*: Major Program Tested

DAVIESS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2008

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Reid Haire, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 16, 2009. Daviess County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Daviess County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Daviess County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Daviess County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Daviess County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of Daviess County's financial statements that is more than inconsequential will not be prevented or detected by Daviess County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Daviess County's internal control.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Daviess County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Daviess County Fiscal Court, and the Kentucky Department for Local Government, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

February 16, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Reid Haire, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Daviess County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Daviess County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Daviess County's management. Our responsibility is to express an opinion on Daviess County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Daviess County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Daviess County's compliance with those requirements.

In our opinion, Daviess County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Daviess County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Daviess County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Daviess County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Daviess County Fiscal Court, the Kentucky Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

February 16, 2009

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

**DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Daviess County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Daviess County expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs for Daviess County reported in Part C of this schedule.
7. The program tested as a major program was: Help America Vote Act (CFDA #90.401)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Daviess County was determined to be a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

DAVIESS COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

